

June 25, 2009

Children with Special Health Care Needs (CSHCN) Data Book

State of Rhode Island

Final & Confidential



HEALTHCARE ANALYTICS

Actuarial Consultants

Contents

1. Introduction.....3

2. Capitation Rates and Demographics4

3. Rate Development and Methodology.....7

4. Appendices.....12

1

INTRODUCTION

The Rhode Island Department of Human Services (DHS, the State) requested that HealthCare Analytics assist it in developing actuarially sound capitation rates for the rate period 7/1/2009 through 6/30/2010 for Children with Special Health Care Needs (CSHCN) and Children in Substitute Care Arrangements (Substitute Care), who are eligible for enrollment into the State's RItE Care program, a Medicaid managed care program implemented under the Rhode Island Global Consumer Choice Compact 1115 Waiver Demonstration.

This document presents an outline of the development of actuarially sound capitation rates that were made consistent with the guidance provided in the Centers for Medicare and Medicaid Services (CMS) Rate Checklist, and which is sought for the purpose of attaining rate approval from CMS under 42 CFR 438.6(c).

The rates were developed from existing claims data for the target populations, which were adjusted, smoothed and trended to the rate period. Adjustments were made to account for off-line expenses not reflected in the claims data, as well as programmatic changes that will impact future claims. Such programmatic changes include CAITS services as in-plan benefits effective 4/1/2009. The data was smoothed to account for the variability in the claims experience due to the relatively small sizes of the target populations. The claims were trended forward to the rate period using the indicated trends in the claims data, tempered by observations of general trends in the marketplace for Medicaid managed care. Where appropriate, further adjustments were incorporated to account for the impact of managed care on the future claims expenses of the target populations. Finally, administrative and premium tax loads were included to develop actuarially sound capitation rates.

Rates, trends, assumptions and observations of the underlying data in support of the proposed capitation rates for CSHCN for the rate period 7/1/2009 – 6/30/2010 were performed in consultation with the actuarial firm of Donlon & Associates, which also provided the certification letter required by CMS. HealthCare Analytics relied on data produced by DHS and by Strategies and Solutions produced for the State.

2

Target Population

Consistent with last rate period's pricing, which was the first for this population, this pricing is intended to develop a set of capitation rates for members who are currently enrolled through Neighborhood Health Plans of Rhode Island – "Enrolled" group, and another set of capitation rates for eligible members currently covered by the State under Fee-For-Service (FFS) who began to enroll in a managed care plan beginning 6/1/2008, the "Not Enrolled" group. The "Not Enrolled" distinction is necessary since the experience periods did not yet include any of the newly enrolled FFS members since 6/1/2008.

For each of these two groups (segments), the "Enrolled" and "Not Enrolled", the groups were further delineated into sub-groups, or Population Cohorts, based on the members' age and/or unique set of medical care needs and expenses. The rate cells for the two groups and population cohorts for rating purposes were thus:

Table 1

Population Cohort	Rate Cells	
	Enrolled	Not Enrolled
Adoption Subsidy	✓	✓
Katie Beckett	✓	✓
SSI < 15	✓	✓
SSI ≥ 15	✓	✓
Substitute Care	✓	N/A

Note that there is not a Not Enrolled rate for the Substitute Care rate cell. The State determined that the few members currently covered by the State under FFS would not be eligible for enrollment in a managed care program.

CAPITATION RATES & DEMOGRAPHICS

For the 7/1/2009 – 6/30/2010 rate period, The State intends to continue with the process established for the previous rate period for enrolling the Fee For Service (FFS) population into the two participating health plans, NHPRI and United Healthcare of New England (UHCNE). Since the experience periods upon which the proposed capitation rates were based did not include any of the experience from the last rate period (7/1/2008 – 6/30/2009), the proposed capitation rates will be in two sets. One set for NHPRI reflecting a mix of their existing client base of "Enrolled" and an

assumed enrollment of 50% of the eligible “Not Enrolled” FFS population. A second set of rates, applicable to newly participating plans, i.e. UHCNE, based entirely on the eligible “Not Enrolled” FFS population. Both sets of rates will be for the rate period 7/1/2009 – 6/30/2010:

Table 2

1. Capitation rates for NHPRI representing a melding of Enrolled and Not Enrolled population cohorts. These melded capitation rates were developed assuming a 50/50 distribution of the Not Enrolled to each of the participating health plans.

Capitation Rates Melded of Enrolled & 50% of Not Enrolled For NHPRI 7/1/2009 – 6/30/2010				
<u>Rate Components</u>	<u>Adoption Subsidy</u>	<u>Katie Beckett</u>	<u>SSI < 15</u>	<u>SSI >= 15</u>
Medical	\$390.48	\$965.61	\$1,009.60	\$719.87
<u>Administrative</u>	<u>\$40.56</u>	<u>\$100.36</u>	<u>\$104.87</u>	<u>\$74.79</u>
Total	\$431.04	\$1,065.97	\$1,114.47	\$794.66

Table 3

2. Capitation rates NHPRI for the Substitute Care population cohort currently enrolled with them. There will not be a Not Enrolled rate for this population cohort.

Capitation Rates Enrolled Only (For NHPRI) 7/1/2009 – 6/30/2010	
<u>Rate Components</u>	<u>Substitute Care</u>
Medical	\$665.08
<u>Administrative</u>	<u>\$66.02</u>
Total	\$731.10

Table 4

3. Capitation rates for the Not Enrolled population cohorts effective 7/1/2009 – 6/30/2010, applicable to new participating health plans only, such as UHCNE.

Capitation Rates Not Enrolled Only (For UHCNE) 7/1/2009 – 6/30/2010				
<u>Rate Components</u>	<u>Adoption Subsidy</u>	<u>Katie Beckett</u>	<u>SSI < 15</u>	<u>SSI >= 15</u>
Medical	\$511.41	\$1,060.32	\$938.74	\$718.81
<u>Administrative</u>	<u>\$53.22</u>	<u>\$110.34</u>	<u>\$97.69</u>	<u>\$74.81</u>
Total	\$564.63	\$1,170.66	\$1,036.43	\$793.62

Rate differences between the Enrolled and Not Enrolled groups reflect the underlying differences in the claims expenses for the two groups. After a review of the claims experience data with DHS staff, we concur with the State in attributing the differences to selection, being that the experience periods reflect the opt-out enrollment method, and realization of the managed care impact on the Enrolled population cohorts. These differences were therefore carried forward in order to develop adequate rates for the two groups.

Table 5

Eligible members for the Enrolled and Not Enrolled population cohorts as of SFY 2008 are:

CSHCN & Substitute Care Average Members SFY 2008		
<u>Population Cohort</u>	<u>Enrolled</u>	<u>Not Enrolled</u>
Adoption Subsidy	1,230	401
Katie Beckett	94	118
SSI < 15	2,220	1,003
SSI >= 15	1,128	802
Substitute Care	2,264	N/A

3

RATE DEVELOPMENT METHODOLOGY

Claims & Enrollment Data

Claims and enrollment data was provided by Strategies and Solutions on behalf of the State, which we used to develop the capitation rates exhibited in the tables above. As stated previously, the claims and enrollment data for the Enrolled population cohorts pertain to members who have been receiving their care through and managed by NHPRI since early 2004. The claims and enrollment data for the Not Enrolled population cohorts are for members who are covered by the State under FFS and who are eligible for coverage through a managed care program. Eligibility for enrollment was determined by certain qualifications established by the State, including: No Third Party Liability (TPL), In-Plan, in the Community, Rhode Island Residents, Not currently in the Craft program.

The data reports covered State Fiscal Years (SFY) ending June 2006, 2007 and 2008, and were stated on an incurred basis, paid through February 2009 and estimated at 100% complete. The completion ratios were developed and applied to the claims by Strategies and Solutions.

DHS staff provided the information with which we made adjustments to the claims data for SFY 2008. These adjustments were for off-line items not available in the claims data, identified through reconciliation efforts between DHS staff and NHPRI for the “Enrolled” population. In addition, the same adjustments that were made for the 7/08 – 6/09 rates were incorporated for the development of the current base period to account for the change in the EPSDT periodicity tables not yet reflected in the claims data.

Base Period Data

The capitation rates for each of the population cohorts were developed on a base period that was a credibility-weighted average of the SFY 2006 and SFY 2007 experience PMPMs each forecasted to SFY 2008, and SFY 2008. The determination of an appropriate base period was made after an analysis of the claims experience for each population cohort for each year in consultation with the actuaries at Donlon & Associates, Inc. All of the population cohorts exhibited wide variability and fluctuations year over year, credibility-weighted 3-year averages were employed to smooth out the variability and account for both high and low cost and utilization periods. The credibility weights employed for the “Enrolled” and “Not Enrolled” segments were established separately to account for differing variability in the experience and enrollment changes. Whereas the enrollment for the “Enrolled” segment showed a steady growth over time, the enrollment for the “Not Enrolled” showed a steady decline over time. Thus, there was better comfort in assigning greater weights for the latter experience periods for the “Enrolled” segment than the “Not Enrolled” segment.

The base period PMPMs for all the population cohorts of “Enrolled” were credibility-weighted 3-year averages of SFY 2006 and SFY 2007 each forecasted to SFY 2008 and SFY 2008 at credibility weights of 10%, 30% and 60%, respectively. The base period PMPMs for all the population cohorts of “Not Enrolled” were credibility-weighted 3-year averages of SFY 2006 and SFY 2007 each forecasted to SFY 2008 and SFY 2008 at credibility weights of 30%, 30% and 40%, respectively.

Table 6

Adjusted¹ Base Period PMPM		
<u>Population Cohort</u>	<u>Enrolled</u>	<u>Not Enrolled</u>
Adoption Subsidy	\$302.82	\$459.05
Katie Beckett	\$754.75	\$1,001.71
SSI < 15	\$859.03	\$859.00
SSI >= 15	\$609.14	\$665.98
Substitute Care	\$535.09	N/A

¹ Adjusted Base Period includes EPSDT adjustment to account for the revised periodicity schedule

Completion Ratios

All claims data including SFY 2005, SFY 2006 and SFY 2007 were on an incurred basis paid through February 2009, and estimated 100% complete. HealthCare Analytics relied on data provided by Strategies and Solutions on behalf of the State. The completion ratios developed by Strategies and Solutions were as follows:

Table 7

Completion Ratios						
	Enrolled			Not Enrolled		
<u>Population Cohorts</u>	<u>SFY 2006</u>	<u>SFY 2007</u>	<u>SFY 2008</u>	<u>SFY 2006</u>	<u>SFY 2007</u>	<u>SFY 2008</u>
Adoption Subsidy	1.0000	0.9994	0.9862	1.0000	0.9981	0.9863
Katie Beckett	1.0000	0.9995	0.9876	1.0000	0.9979	0.9788
CSHCN SSI < 15	1.0000	0.9995	0.9783	1.0000	0.9949	0.9766
CSHCN SSI >= 15	1.0000	0.9994	0.9806	1.0000	0.9975	0.9870
Substitute Care	1.0000	0.9995	0.9795	1.0000	0.9981	0.9839

Trends

Year-over-year trends on a population cohort basis and in aggregate for both “Enrolled” and “Not Enrolled” segments were widely variable. The variability within the population cohorts and segments were attributed largely to the low levels of eligibility and enrollment in these programs and the nature of the programs for the populations they serve, both contributing to certain volatility to the numbers. In addition, we observed that SFY 2008 was consistently lower than the previous year and sometimes even lower than SFY 2006. Further look-back also revealed that SFY 2008 PMPMs were at or near SFY 2005 levels. Consequently the indicated 1-year, 2-year and 3-year trends all pointed to 0% to negative trend rates, with which we were not comfortable to consider on a going forward basis, given the relative small size of the populations and the observed volatility in the experience. Since past reviews and discussions by DHS staff with the plans had indicated focused managed care programs and efforts on mental health related services we also examined the experience and indicated trends for mental health vs. non-mental health services.

The results of the analysis breaking down mental health related versus non-mental health related services revealed that most if not all of the reductions were driven by the experience in mental health related services. Since these services accounted for up to a third of all expenses, its effect impacted on the overall experience. The indicated trends for non-mental health related services for the 3-year average from SFY 2005 through SFY 2008 was 5.7%, while the 1-year and 2-year averages for the latest periods were lower. In anticipation of the stabilization of reductions in mental health related expenses, as the managed care programs realize the initial savings through implementation, and the assumed resumption of market-appropriate trends on a go-forward basis on both the mental health related and non-mental health related services, an overall trend of 6.7% was selected for the forecast of claims to the rate period. The 6.7% selected trend is comprised of the indicated 5.7% aggregate 3-year average trend for non-mental health services, plus 1% for the anticipated resumption of market-appropriate trends.

Table 8

Enrolled & Not-Enrolled All Cohort PMPM				
	SFY 2005	SFY 2006	SFY 2007	SFY 2008
Total CSHCN	\$ 595.17	\$ 667.57	\$ 692.70	\$ 609.37
Mental Health	\$ 241.20	\$ 266.49	\$ 270.80	\$ 191.41
Non-Mental Health	\$ 353.97	\$ 401.08	\$ 421.90	\$ 417.96
Total CSHCN Trends				
	SFY 2005	SFY 2006	SFY 2007	SFY 2008
Year-Over-Year		12.2%	3.8%	-12.0%
Two-Year Average			7.9%	-4.5%
Three-Year Average				0.8%
Mental Health Trends				
	SFY 2005	SFY 2006	SFY 2007	SFY 2008
Year-Over-Year		10.5%	1.6%	-29.3%
Two-Year Average			6.0%	-15.2%
Three-Year Average				-7.4%
Non-Mental Health Trends				
	SFY 2005	SFY 2006	SFY 2007	SFY 2008
Year-Over-Year		13.3%	5.2%	-0.9%
Two-Year Average			9.2%	2.1%
Three-Year Average				5.7%

Adjustment for Program Changes

We made an adjustment to our forecasted claims expense PMPMs to account for the impact of the new periodicity tables recommended by the Association of American Pediatrics for EPSDT (Early and Periodic Screening, Diagnosis and Treatment) services. DHS staff estimated this financial impact.

We also carried forward the program adjustments and amendments made during the 7/1/08 – 6/30/09 rate period related to the inclusion of Children & Adolescent Intensive Treatment Services (CAITS) as in-plan benefits effective 4/1/2009. Please refer to the amended data book dated January 20, 2009 for detailed information on the program initiatives and the methodology behind the adjustments.

Table 9

CAITS In-Plan Benefit Adjustment

NOT ENROLLED					
Rate Period 7/1/2009 - 6/30/2010					
Base Period = SFY 2008	Adoption Sub.	Katie Beckett	SSI <15	SSI ≥15	
Base Period CIS PMPM	\$ 50.56	\$ 18.97	\$ 65.77	\$ 37.53	
Base Period Average Members	394	121	1,078	816	
Trend Factor Period 1: Base Period midpoint to 8/1/08	1.038	1.038	1.038	1.038	
Trend Factor Period 2: 8/1/08 to midpoint of Rate Period	1.000	1.000	1.000	1.000	
Projected 7/1/09 - 6/30/10 PMPM	\$ 52.51	\$ 19.70	\$ 68.30	\$ 38.97	
CAITS Savings	-42%	-44%	-43%	-45%	
Projected CAITS PMPM	\$ 30.60	\$ 11.12	\$ 39.01	\$ 21.26	

Assumed Distribution of Not Enrolled into NHP					
	50%	50%	50%	50%	
Enrolled & Not Enrolled Merged					
Rate Period 7/1/2009 - 6/30/2010					
Base Period = SFY 2008	Adoption Sub.	Katie Beckett	SSI <15	SSI ≥15	ENROLLED
Base Period CIS PMPM	\$ 44.15	\$ 57.44	\$ 77.34	\$ 44.55	\$ 83.63
Base Period Average Members	1,309	162	2,682	1,478	2,354
Trend Factor Period 1: Base Period midpoint to 8/1/08	1.038	1.038	1.038	1.038	1.038
Trend Factor Period 2: 8/1/08 to midpoint of Rate Period	1.000	1.000	1.000	1.000	1.000
Projected 7/1/09 - 6/30/10 PMPM	\$ 45.84	\$ 59.65	\$ 80.32	\$ 46.26	\$ 86.84
Implied Merged CAITS Savings	-42%	-44%	-43%	-45%	-36%
Projected CAITS PMPM	\$ 26.71	\$ 33.66	\$ 45.88	\$ 25.23	\$ 55.89

Managed Care Adjustments

Since the “Enrolled” population cohorts have been covered through a managed care plan – NHPRI – since 2004, no further adjustments were deemed to be necessary for this group. Since enrollment of the “Not Enrolled” population cohorts into managed care began in the winter of 2008 and has been a relatively slow process, we carried forward the same managed care savings adjustments for the “Not Enrolled” population cohorts which were developed in consultation with the actuaries at Donlon & Associates for the last rating period. The managed care savings assumptions address improved access to providers, better reimbursements, and shift of care to more appropriate and lower cost settings.

Administrative Load & Premium Tax

In order to account for the variability in the base period PMPMs and the variability in the resulting forecasted rates for the population cohorts as compared to the last rate period, the administrative loads were rebalanced to maintain the current load ratios and were further adjusted up 3% on the current rates to recognize expenses associated with managed care programs. The capitation rates were also loaded for the 2% premium tax, a recently enacted legislation.

Risk Share / Gain Share

The State’s risk sharing provision with the health plans shall remain unchanged from the last rate period.

Actuarial Certification

The capitation rates exhibited in tables 1 through 3 above along with all supporting exhibits in the appendix of this document received an actuarial certification under a separate cover from the actuarial firm of Donlon & Associates, Inc.

4

APPENDICES

CSHCN & Substitute Care
Average Members

Population Cohorts	SFY 2006			SFY 2007			SFY 2008		
	Enrolled	Not Enrolled	Total	Enrolled	Not Enrolled	Total	Enrolled	Not Enrolled	Total
Adoption Subsidy	988	459	1,447	1,115	419	1,534	1,230	401	1,631
Katie Beckett	98	134	232	101	123	224	94	118	213
CSHCN - AS/KB	1,086	593	1,679	1,216	542	1,757	1,325	519	1,844
CSHCN <15	2,002	1,202	3,204	2,146	1,112	3,258	2,220	1,003	3,223
CSHCN >=15	991	859	1,850	1,071	852	1,924	1,128	802	1,930
Total CSHCN	4,079	2,654	6,733	4,433	2,506	6,939	4,673	2,324	6,997
Substitute Care	2,262	260	2,522	2,363	307	2,670	2,264	290	2,554
Grand Total	6,341	2,914	9,255	6,796	2,813	9,609	6,937	2,614	9,551

Enrollment figures provided by K. Booth 4/14/2009 "CSHCNFCPPricing20090414.xls"

SFY 2008

Adjustments	Adoption		Katie Beckett		SSI <15		SSI >=15		Total		Substitute	
	Subsidy										Care	
Adjustment and Error Reports	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Claims and Adj Not Sent	\$ 5,556	\$ 1,240	\$ 1,240	\$ 30,742	\$ 12,558	\$ 50,096	\$ 50,096	\$ 50,096	\$ 50,096	\$ 50,096	\$ -	\$ -
IBNR	\$ 16,032	\$ 3,577	\$ 3,577	\$ 88,701	\$ 36,235	\$ 144,545	\$ 144,545	\$ 144,545	\$ 144,545	\$ 144,545	\$ 48,609	\$ 48,609
Capitated Claims in Encounter Data	\$ (5,128)	\$ (616)	\$ (616)	\$ (16,702)	\$ (8,554)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (31,000)	\$ (92,743)	\$ (92,743)
Cap Payments	\$ 5,454	\$ 655	\$ 655	\$ 17,764	\$ 9,097	\$ 32,970	\$ 32,970	\$ 32,970	\$ 32,970	\$ 32,970	\$ 185,453	\$ 185,453
Incentive Payments ¹	\$ 1,364	\$ 164	\$ 164	\$ 4,441	\$ 2,274	\$ 8,243	\$ 8,243	\$ 8,243	\$ 8,243	\$ 8,243	\$ 46,363	\$ 46,363
Reinsurance Premiums	\$ 15,282	\$ 1,178	\$ 1,178	\$ 27,441	\$ 14,151	\$ 58,052	\$ 58,052	\$ 58,052	\$ 58,052	\$ 58,052	\$ 28,001	\$ 28,001
Reinsurance Recoveries	\$ (8,231)	\$ (1,837)	\$ (1,837)	\$ (304,871)	\$ (18,604)	\$ (333,543)	\$ (333,543)	\$ (333,543)	\$ (333,543)	\$ (333,543)	\$ (291,100)	\$ (291,100)
Rx Admin	\$ 8,353	\$ 644	\$ 644	\$ 14,971	\$ 7,735	\$ 31,703	\$ 31,703	\$ 31,703	\$ 31,703	\$ 31,703	\$ 10,531	\$ 10,531
Rx Rebates	\$ (19,635)	\$ (3,496)	\$ (3,496)	\$ (69,786)	\$ (35,738)	\$ (128,655)	\$ (128,655)	\$ (128,655)	\$ (128,655)	\$ (128,655)	\$ (39,118)	\$ (39,118)
Interpretation/Transportation	\$ 5,163	\$ 1,152	\$ 1,152	\$ 28,568	\$ 11,670	\$ 46,553	\$ 46,553	\$ 46,553	\$ 46,553	\$ 46,553	\$ 3,632	\$ 3,632
BH Admin	\$ 236,191	\$ 34,389	\$ 34,389	\$ 938,619	\$ 437,492	\$ 1,646,691	\$ 1,646,691	\$ 1,646,691	\$ 1,646,691	\$ 1,646,691	\$ 1,094,480	\$ 1,094,480
Stop Loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Offline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Adjustments	\$ 260,401	\$ 37,050	\$ 37,050	\$ 759,888	\$ 468,316	\$ 1,525,655	\$ 1,525,655	\$ 1,525,655	\$ 1,525,655	\$ 1,525,655	\$ 994,108	\$ 994,108
Adjustment As Applied ²	\$ 233,650	\$ 31,081	\$ 31,081	\$ 611,877	\$ 407,853	\$ 1,284,461	\$ 1,284,461	\$ 1,284,461	\$ 1,284,461	\$ 1,284,461	\$ 941,867	\$ 941,867
Reported Incentive Payments	\$ 20,740	\$ 4,627	\$ 4,627	\$ 114,749	\$ 46,875	\$ 186,991	\$ 186,991	\$ 186,991	\$ 186,991	\$ 186,991	\$ 89,728	\$ 89,728

¹ Incentive payments are capped at 25% of capitation payments, per DHS² Excluded from Adjustments: IBNR (since K. Booth completes data), Claims and Adj Not Sent, and Interpretation (until transportation is broken out)

**CSHCN & Substitute Care
In-Plan Services**

Claims Paid

Incurred SFY, PT 2/09 FFS & 11/08 MC, est. 100% complete

<u>Population Cohorts</u>	<u>SFY 2006</u>			<u>SFY 2007</u>			<u>SFY 2008</u>		
	<u>Enrolled</u>	<u>Not Enrolled</u>	<u>Total</u>	<u>Enrolled</u>	<u>Not Enrolled</u>	<u>Total</u>	<u>Enrolled</u>	<u>Not Enrolled</u>	<u>Total</u>
Adoption Subsidy	\$ 4,348,218	\$ 2,437,205	\$ 6,785,423	\$ 4,725,644	\$ 2,960,110	\$ 7,685,754	\$ 3,388,221	\$ 1,428,464	\$ 4,816,685
Katie Beckett	\$ 535,231	\$ 1,354,536	\$ 1,889,766	\$ 1,011,663	\$ 1,659,409	\$ 2,671,072	\$ 790,237	\$ 1,247,964	\$ 2,038,200
CSHCN - AS/K8	\$ 4,883,448	\$ 3,791,741	\$ 8,675,190	\$ 5,737,308	\$ 4,619,519	\$ 10,356,826	\$ 4,178,457	\$ 2,676,428	\$ 6,854,886
CSHCN <15	\$ 21,168,542	\$ 11,467,450	\$ 32,635,992	\$ 23,323,215	\$ 11,029,028	\$ 34,352,243	\$ 20,179,899	\$ 9,689,521	\$ 29,869,421
CSHCN >=15	\$ 6,066,399	\$ 6,557,522	\$ 12,623,921	\$ 7,285,674	\$ 5,687,510	\$ 12,973,184	\$ 7,927,135	\$ 6,511,107	\$ 14,438,242
Total CSHCN	\$ 32,118,389	\$ 21,816,713	\$ 53,935,103	\$ 36,346,196	\$ 21,336,057	\$ 57,682,253	\$ 32,285,491	\$ 18,877,057	\$ 51,162,548
Substitute Care	\$ 14,702,404	\$ 582,233	\$ 15,284,637	\$ 13,656,752	\$ 841,993	\$ 14,498,744	\$ 13,476,604	\$ 1,206,855	\$ 14,683,459
Grand Total	\$ 46,820,794	\$ 22,398,946	\$ 69,219,740	\$ 50,002,948	\$ 22,178,050	\$ 72,180,998	\$ 45,762,094	\$ 20,083,913	\$ 65,846,007
<u>Adjustments</u>									
Adoption Subsidy							\$ 233,650		
Katie Beckett							\$ 31,081		
CSHCN - AS/K8									
CSHCN <15							\$ 611,877		
CSHCN >=15							\$ 407,853		
Total CSN							\$ 1,284,461		
Substitute Care							\$ 941,867		
Grand Total							\$ 2,226,328		

CSHCN & Substitute Care
Rates Period 7/1/2009 - 6/30/2010
Trend Selection

	Enrolled & Not-Enrolled All Cohort PMPM			
	SFY 2005	SFY 2006	SFY 2007	SFY 2008
Total CSHCN	\$ 595.17	\$ 667.57	\$ 692.70	\$ 609.37
Mental Health	\$ 241.20	\$ 266.49	\$ 270.80	\$ 191.41
Non-Mental Health	\$ 353.97	\$ 401.08	\$ 421.90	\$ 417.96

	Total CSHCN Trends		
	SFY 2005	SFY 2006	SFY 2007
Year-Over-Year		12.2%	3.8%
Two-Year Average			-12.0%
Three-Year Average			-4.5%
			0.8%

	Mental Health Trends		
	SFY 2005	SFY 2006	SFY 2007
Year-Over-Year		10.5%	1.6%
Two-Year Average			-29.3%
Three-Year Average			-15.2%
			-7.4%

	Non-Mental Health Trends		
	SFY 2005	SFY 2006	SFY 2007
Year-Over-Year		13.3%	5.2%
Two-Year Average			-0.9%
Three-Year Average			2.1%
			5.7%

**CSHCN & Substitute Care
In-Plan Services**

Claims Paid PMPM & Trends

Incurred SFY, PT 2/09 FFS & 11/08 MC, est. 100% complete

	SFY 2006			SFY 2007			SFY 2008		
	Enrolled	Not Enrolled	Total	Enrolled	Not Enrolled	Total	Enrolled	Not Enrolled	Total
Population Cohorts									
Adoption Subsidy	\$ 366.75	\$ 442.70	\$ 390.83	\$ 353.30	\$ 588.52	\$ 417.58	\$ 229.51	\$ 297.02	\$ 246.10
Katie Beckett	\$ 455.41	\$ 842.64	\$ 679.10	\$ 835.87	\$ 1,127.52	\$ 995.91	\$ 697.28	\$ 880.67	\$ 799.18
CSHCN <15	\$ 881.21	\$ 794.82	\$ 848.79	\$ 905.56	\$ 826.43	\$ 878.55	\$ 757.40	\$ 805.21	\$ 772.27
CSHCN >=15	\$ 510.00	\$ 636.40	\$ 568.67	\$ 566.70	\$ 556.12	\$ 562.01	\$ 585.75	\$ 676.34	\$ 673.40
Total CSHCN	\$ 656.17	\$ 685.09	\$ 667.57	\$ 683.22	\$ 709.45	\$ 692.70	\$ 575.77	\$ 676.91	\$ 609.37
Substitute Care	\$ 541.68			\$ 481.71			\$ 495.98		
Grand Total	\$ 615.33			\$ 613.16			\$ 549.73		

	SFY 2007 over SFY 2006			SFY 2008 over SFY 2007			SFY 2008 over SFY 2006		
	Enrolled	Not Enrolled	Total	Enrolled	Not Enrolled	Total	Enrolled	Not Enrolled	Total
Population Cohorts									
Adoption Subsidy	-3.7%	32.9%	6.8%	-35.0%	-49.5%	-41.1%	-20.9%	-18.1%	-20.6%
Katie Beckett	83.5%	33.8%	46.7%	-16.6%	-21.9%	-19.8%	23.7%	2.2%	8.5%
CSHCN <15	2.8%	4.0%	3.5%	-16.4%	-2.6%	-12.1%	-7.3%	0.7%	-4.6%
CSHCN >=15	11.1%	-12.6%	-1.2%	3.4%	21.6%	10.9%	7.2%	3.1%	4.7%
Total CSHCN	4.1%	3.6%	3.8%	-15.7%	-4.6%	-12.0%	-6.3%	-0.6%	-4.5%
Substitute Care	-11.1%			3.0%			-4.3%		
Grand Total	-0.4%			-10.3%			-5.5%		

Alternate Selected Trend

6.7%¹ 6.7%²

PMPM with Offline Adjustments

	SFY 2006			SFY 2007			SFY 2008		
	Enrolled	Not Enrolled	Total	Enrolled	Not Enrolled	Total	Enrolled	Not Enrolled	Total
Population Cohorts									
Adoption Subsidy									
Katie Beckett							\$ 245.34	\$ 297.02	
CSHCN - AS/KB							\$ 724.71	\$ 880.67	
CSHCN <15							\$ 780.36	\$ 805.21	
CSHCN >=15							\$ 615.88	\$ 676.34	
Total CSHCN							\$ 598.68	\$ 676.91	
Substitute Care							\$ 530.64		
Grand Total							\$ 576.47		

¹ Selected Trend for all Current Enrolled CSHCN Population Cohorts and Substitute Care

² Selected Trend for all Not Enrolled (Fee For Service) CSHCN Population Cohorts

**CSHCN & Substitute Care
In-Plan Services
Base Period**

Population Cohorts	0.1		0.3		0.3		0.3		0.6		0.4		Base Period ¹	
	SFY '06 Proj to SFY '08		SFY '07 Proj to SFY '08		SFY 2008		Base Period ¹							
	Enrolled	Not Enrolled	Enrolled	Not Enrolled	Enrolled	Not Enrolled	Enrolled	Not Enrolled	Enrolled	Not Enrolled	Enrolled	Not Enrolled	Enrolled	Not Enrolled
Adoption Subsidy	\$ 417.54	\$ 504.01	\$ 376.97	\$ 627.95	\$ 245.34	\$ 297.02	\$ 302.05	\$ 458.40	\$ 302.05	\$ 458.40	\$ 302.05	\$ 458.40	\$ 302.05	\$ 458.40
Katie Beckett	\$ 518.48	\$ 959.33	\$ 891.88	\$ 1,203.06	\$ 724.71	\$ 880.67	\$ 754.24	\$ 1,000.98	\$ 754.24	\$ 1,000.98	\$ 754.24	\$ 1,000.98	\$ 754.24	\$ 1,000.98
CSHCN <15	\$ 1,003.25	\$ 904.89	\$ 966.23	\$ 881.80	\$ 780.36	\$ 805.21	\$ 858.41	\$ 858.09	\$ 858.41	\$ 858.09	\$ 858.41	\$ 858.09	\$ 858.41	\$ 858.09
CSHCN ≥15	\$ 580.63	\$ 724.53	\$ 604.66	\$ 593.38	\$ 615.88	\$ 676.34	\$ 608.99	\$ 665.91	\$ 608.99	\$ 665.91	\$ 608.99	\$ 665.91	\$ 608.99	\$ 665.91
Total CSHCN	\$ 747.04	\$ 779.97	\$ 729.00	\$ 756.98	\$ 598.68	\$ 676.91	\$ 650.85	\$ 728.56	\$ 650.85	\$ 728.56	\$ 650.85	\$ 728.56	\$ 650.85	\$ 728.56
Substitute Care	\$ 616.69		\$ 513.98		\$ 530.64		\$ 534.25		\$ 534.25		\$ 534.25		\$ 534.25	
Grand Total	\$ 700.54		\$ 654.25		\$ 576.47		\$ 576.47		\$ 576.47		\$ 576.47		\$ 576.47	

¹ Base Period PMPMs are a credibility-weighted average of projected SFY 2008 PMPMs from SFY 2006, SFY 2007 and actual SFY 2008, at 10%, 30% and 60% respectively for Enrolled, and at 30%, 30% and 40% respectively for Not Enrolled

**CSHCN & Substitute Care
In-Plan Services
Base Period
Adjusted for EPSDT Impact**

Population Cohorts	Base Period		EPSDT Adjustments		Adjusted Base Period	
	Enrolled	Not Enrolled	Enrolled	Not Enrolled	Enrolled	Not Enrolled
Adoption Subsidy	\$ 302.05	\$ 458.40	\$ 0.77	\$ 0.65	\$ 302.82	\$ 459.05
Katie Beckett	\$ 754.24	\$ 1,000.98	\$ 0.52	\$ 0.72	\$ 754.75	\$ 1,001.71
CSHCN <15	\$ 858.41	\$ 858.09	\$ 0.62	\$ 0.91	\$ 859.03	\$ 859.00
CSHCN >=15	\$ 608.99	\$ 665.91	\$ 0.15	\$ 0.07	\$ 609.14	\$ 665.98
Substitute Care	\$ 534.25		\$ 0.84		\$ 535.09	

¹ Base Period PMPMs are a credibility-weighted average of projected SFY 2008 PMPMs from SFY 2006, SFY 2007 and actual SFY 2008, at 10%, 30% and 60% respectively for Enrolled, and at 30%, 30% and 40% respectively for Not Enrolled

FFS CIS Services for Eligible Population Cohorts
Incurred SFY (July - June), Paid through 2/09, estimated 100%

Enrolled CIS Services PMPM, Incurred SFY, est. 100%

SFY	Enrolled						
	Adoption Subsidy	Katie Beckett	SSI<15	SSI >=15	Total	Substitute Care	CSHCN Total
2006	\$ 45.59	\$ 42.60	\$ 79.82	\$ 35.86	\$ 47.89	\$ 69.33	\$ 63.30
2007	\$ 42.98	\$ 80.82	\$ 80.21	\$ 47.24	\$ 50.25	\$ 83.38	\$ 70.02
2008	\$ 39.17	\$ 59.02	\$ 83.70	\$ 46.67	\$ 51.03	\$ 71.14	\$ 65.35

PMPM Trends

SFY	Enrolled						
	Adoption Subsidy	Katie Beckett	SSI<15	SSI >=15	Total	Substitute Care	CSHCN Total
2007/2006	-6%	90%	0%	32%	4.9%	20.3%	10.6%
2008/2007	-9%	-27%	4%	-1%	1.6%	-14.7%	-6.7%
2008/2006	-7%	18%	2%	14%	3.2%	1.3%	1.6%

3%

Not Enrolled CIS Services PMPM, Incurred SFY, est. 100%

SFY	NOT Enrolled						
	Adoption Subsidy	Katie Beckett	SSI<15	SSI >=15	Total	Substitute Care	CSHCN Total
2006	\$ 40.29	\$ 19.68	\$ 61.49	\$ 37.40	\$ 39.96	\$ 17.54	\$ 45.21
2007	\$ 53.62	\$ 19.67	\$ 66.53	\$ 40.79	\$ 43.39	\$ 3.77	\$ 47.92
2008	\$ 35.35	\$ 86.37	\$ 66.67	\$ 34.69	\$ 40.75	\$ 17.64	\$ 47.51

PMPM Trends

SFY	NOT Enrolled						
	Adoption Subsidy	Katie Beckett	SSI<15	SSI >=15	Total	Substitute Care	CSHCN Total
2007/2006	33%	0%	8%	9%	8.6%	-78.5%	6.0%
2008/2007	-34%	339%	0%	-15%	-6.1%	367.5%	-0.9%
2008/2006	-6%	109%	4%	-4%	1.0%	0.3%	2.5%

3%

Note: CIS experience data was produced by K. Booth of Strategies And Solutions

Savings Estimate from CAITS Program Implementation For CSHCN & Foster Care Eligibles

CIS Services for CSHCN & Foster Care Members Incurred 4/1/2007 - 3/31/2008, est. 100%						
Data	Pd@100%	Adoption Subsidy	Katie Beckett	SSI<15	SSI >=15	Substitute Care
Unique Users	1-1001	13	3	57	22	46
	1001-2001	8	2	29	11	40
	2001-3001	15	3	38	10	28
	3001-4001	12	1	28	11	37
	4001-5001	9	1	25	10	25
	5001-5504	1	1	19	4	9
	>5504	63	11	225	62	159
Pd@100%	1-1001	\$5,036	\$1,321	\$26,733	\$10,883	\$20,719
	1001-2001	\$13,604	\$3,177	\$43,565	\$16,384	\$62,581
	2001-3001	\$35,934	\$6,681	\$91,517	\$24,290	\$70,056
	3001-4001	\$41,252	\$3,241	\$98,072	\$37,848	\$129,632
	4001-5001	\$40,058	\$4,332	\$112,277	\$45,184	\$113,108
	5001-5504	\$5,330	\$5,440	\$99,918	\$20,637	\$47,475
	>5504	\$758,488	\$137,642	\$2,743,650	\$826,418	\$1,765,799
Total Unique Users		121	22	421	130	344
Total Pd@100%		\$899,702	\$161,833	\$3,215,733	\$981,644	\$2,209,370

If CIS has a Max Benefit of \$5,504 per User per SFY:

	Adoption Subsidy	Katie Beckett	SSI<15	SSI >=15	Substitute Care
Then CIS Expense would be:	\$487,967	\$84,735	\$1,710,483	\$496,474	\$1,318,707
Including Treatment Plan Pmts.	\$524,267	\$91,335	\$1,836,783	\$535,474	\$1,421,907
and the Amount Saved would be:	-\$375,436	-\$70,498	-\$1,378,950	-\$446,170	-\$787,463
% Reduction	-42%	-44%	-43%	-45%	-36%

Note: CIS experience data was produced by K. Booth of Strategies And Solutions

CAITS expense of \$5,504 is an estimate of the maximum cost per user per year based on the defined benefits for the CAITS program, prepared by S. Kernan of DHS

**CSHCN & Foster Care
CIS/CAITS Services
Enrolled & Not Enrolled Population Cohorts
Various Rate Periods**

	ENROLLED			
	Rate Period 7/1/2009 - 6/30/2010			
	Adoption Sub.	Katie Beckett	SSI <15	SSI ≥15
Base Period = SFY 2008				
Base Period CIS PMPM	\$ 43.01	\$ 80.41	\$ 80.26	\$ 47.22
Base Period Average Members	1,112	101	2,142	1,070
Trend Factor Period 1: Base Period midpoint to 8/1/08	1.038	1.038	1.038	1.038
Trend Factor Period 2: 8/1/08 to midpoint of Rate Period	1.000	1.000	1.000	1.000
Projected 7/1/09 - 6/30/10 PMPM	\$ 44.66	\$ 83.50	\$ 83.34	\$ 49.04
CAITS Savings	-42%	-44%	-43%	-45%
Projected CAITS PMPM	\$ 26.03	\$ 47.13	\$ 47.60	\$ 26.75

	NOT ENROLLED			
	Rate Period 7/1/2009 - 6/30/2010			
	Adoption Sub.	Katie Beckett	SSI <15	SSI ≥15
Base Period = SFY 2008				
Base Period CIS PMPM	\$ 50.56	\$ 18.97	\$ 65.77	\$ 37.53
Base Period Average Members	394	121	1,078	816
Trend Factor Period 1: Base Period midpoint to 8/1/08	1.038	1.038	1.038	1.038
Trend Factor Period 2: 8/1/08 to midpoint of Rate Period	1.000	1.000	1.000	1.000
Projected 7/1/09 - 6/30/10 PMPM	\$ 52.51	\$ 19.70	\$ 68.30	\$ 38.97
CAITS Savings	-42%	-44%	-43%	-45%
Projected CAITS PMPM	\$ 30.60	\$ 11.12	\$ 39.01	\$ 21.26

Assumed Distribution of Not Enrolled into NHP

Assumed Distribution of Not Enrolled into NHP	50%	50%	50%	50%	ENROLLED 7/1/09-6/30/10
	Enrolled & Not Enrolled Merged				
	Rate Period 7/1/2009 - 6/30/2010				
Base Period = SFY 2008	Adoption Sub.	Katie Beckett	SSI <15	SSI >=15	Substitute Care
Base Period CIS PMPM	\$ 44.15	\$ 57.44	\$ 77.34	\$ 44.55	\$ 83.63
Base Period Average Members	1,309	162	2,682	1,478	2,354
Trend Factor Period 1: Base Period midpoint to 8/1/08	1.038	1.038	1.038	1.038	1.038
Trend Factor Period 2: 8/1/08 to midpoint of Rate Period	1.000	1.000	1.000	1.000	1.000
Projected 7/1/09 - 6/30/10 PMPM	\$ 45.84	\$ 59.65	\$ 80.32	\$ 46.26	\$ 86.84
Implied Merged CAITS Savings	-42%	-44%	-43%	-45%	-36%
Projected CAITS PMPM	\$ 26.71	\$ 33.66	\$ 45.88	\$ 25.23	\$ 55.89

NOTES:

Trend Factors for Non-Foster Care CSHCN

	Annual Trend	Trend Period	Trend Factor
Period 1: From Base Period to 8/1/08 - No changes to the program ¹	6.7%	0.583	1.038
Period 2: From 8/1/08 to midpoint (1/1/10) - DHS Case Management eff. 8/1/08 ²	0.0%	1.417	1.000

Trend Factors for Foster Care only

	Annual Trend	Trend Period	Trend Factor
Period 1: From Base Period to 8/1/08 - No changes to the program ¹	6.7%	0.583	1.038
Period 2: From 8/1/08 to midpoint (1/1/10) - DHS Case Management eff. 8/1/08 ²	0.0%	1.417	1.000

¹ Period 1 trend is the credibility-weighted average of the indicated trends for Rite Care at 8% and CSHCN at 3% with credibility weights of 2/3 & 1/3 respectively

² Period 2 trend is assumed at 0% from 8/1/08 to the midpoint of the rate period, to account for the effects of case management by DHS which was begun in August 2008

**CSHCN & Substitute Care
Rates Period 7/1/2009 - 6/30/2010**

Base Period = SFY 2008	ENROLLED ONLY			
	Rate Period 7/1/2009 - 6/30/2010			
	Adoption Sub.	Katie Beckett	SSI <15	SSI >=15
Base Period In-Plan PMPM w/ Adjustments	\$ 302.82	\$ 754.75	\$ 859.03	\$ 609.14
Base Period Average Members	1,230	94	2,220	1,128

Base Period = SFY 2008	NOT ENROLLED			
	Rate Period 7/1/2009 - 6/30/2010			
	Adoption Sub.	Katie Beckett	SSI <15	SSI >=15
Base Period In-Plan PMPM w/ Adjustments	\$ 459.05	\$ 1,001.71	\$ 859.00	\$ 665.98
Base Period Average Members	401	118	1,003	802
Selected Trend for Projection: In-Plan	6.7%	6.7%	6.7%	6.7%
Projection Period (years)	2.00	2.00	2.00	2.00
Projected 7/1/09 - 6/30/10 PMPM	\$ 522.62	\$ 1,140.43	\$ 977.96	\$ 758.21
Managed Care Savings Estimates	\$ (41.81)	\$ (91.23)	\$ (78.24)	\$ (60.66)
Projected 7/1/2009 - 6/30/2010 PMPM w/ Mgd. Care	\$ 480.81	\$ 1,049.20	\$ 899.72	\$ 697.55
CAITS Rate Adjustment PMPM (7/1/09 - 6/30/10)	\$ 30.60	\$ 11.12	\$ 39.01	\$ 21.26
Adjusted Projected 7/1/2009 - 6/30/2010 PMPM	\$ 511.41	\$ 1,060.32	\$ 938.74	\$ 718.81
Projected Admin. Exp. 7/1/09 - 6/30/10 ¹	\$ 41.93	\$ 86.94	\$ 76.96	\$ 58.94
Projected Total In-Plan Capitations with Admin.	\$ 553.34	\$ 1,147.25	\$ 1,015.70	\$ 777.75
Managed Care Savings Rate	-8.00%	-8.00%	-8.00%	-8.00%
Current Rates	\$ 779.34	\$ 1,294.54	\$ 1,077.00	\$ 701.29
Projected Rates with 2% Premium Tax	\$ 564.63	\$ 1,170.66	\$ 1,036.43	\$ 793.62

Assumed Distribution of Not Enrolled into NHP

Assumed Distribution of Not Enrolled into NHP	50%	50%	50%	50%	ENROLLED ONLY 7/1/09-6/30/10 Substitute Care
	Melded Enrolled & Not Enrolled				
	Rate Period 7/1/2009 - 6/30/2010				
	Adoption Sub.	Katie Beckett	SSI <15	SSI >=15	
Base Period = SFY 2008					
Base Period In-Plan PMPM w/ Adjustments	\$ 324.70	\$ 849.75	\$ 859.02	\$ 624.05	\$ 535.09
Base Period Average Members	1,431	153	2,722	1,529	2,264
Implied Trend of the Melded Enrolled and Not Enrolled	6.7%	6.7%	6.7%	6.7%	6.7%
Projection Period (years)	2.00	2.00	2.00	2.00	2.00
Melded 7/1/09 - 6/30/10 PMPM For Enrolled & Not Enrolled	\$ 369.67	\$ 967.43	\$ 977.99	\$ 710.48	\$ 609.19
Managed Care Savings on Not Enrolled Population	\$ (5.86)	\$ (35.10)	\$ (14.41)	\$ (15.91)	
Net Melded 7/1/09 - 6/30/10 PMPM For Enrolled & Not Enrolled	\$ 363.81	\$ 932.34	\$ 963.58	\$ 694.56	
CAITS Rate Adjustment PMPM (7/1/09 - 6/30/10)	\$ 26.67	\$ 33.27	\$ 46.02	\$ 25.31	\$ 55.89
Adjusted Melded 7/1/09 - 6/30/10 PMPM	\$ 390.48	\$ 965.61	\$ 1,009.60	\$ 719.87	\$ 665.08
Projected Admin. Exp. 7/1/09 - 6/30/10 ¹	\$ 31.94	\$ 79.04	\$ 82.58	\$ 58.90	\$ 51.39
Projected Total In-Plan PMPM with Admin.	\$ 422.42	\$ 1,044.65	\$ 1,092.18	\$ 778.77	\$ 716.48
Current Rates (SFY '09)	\$ 517.02	\$ 1,103.48	\$ 1,158.99	\$ 730.44	\$ 734.70
Projected Rates with 2% Premium Tax	\$ 431.04	\$ 1,065.97	\$ 1,114.47	\$ 794.66	\$ 731.10

¹ Projected Admin Expense for 7/1/09 - 6/30/10 was re-balanced based on current expense ratio, since the updated base period claims pmpm changed noticeably for some population cohorts. Current rates were further adjusted up 3% to recognize expenses associated with managed care implementation

Trend assumption is based on a combined observed trends for non-mental health services for '08 over '05 for both the enrolled and not-enrolled populations, with a small degree of conservativeness (1% on top of the indicated 5.7% trend)



Donlon & Associates, Inc.

STATEMENT OF ACTUARIAL OPINION

I, Vincent G. Sherwin, am associated with the firm of Donlon & Associates, Inc. I am a Member of the American Academy of Actuaries and meet its General Qualification Standards to issue public statements of actuarial opinions, which include the development of capitated rates for state Medicaid programs. I have been involved in developing the State capitation rates for Children with Special Health Care Needs (CHSCN) and Children in Substitute Care Arrangements for the period July 1, 2009 – June 30, 2010. Capitation rates were developed for the following eligibility categories: Substitute Care, Adoption Subsidy, Katie Beckett, SSI <15, SSI ≥15. Two sets of capitation rates were developed under the scenarios described below:

1. Capitation rates for the enrolled population currently being served by (Neighborhood Health Plan) NHP blended with 50% of the current non-enrolled population. The non-enrolled population is going to be required to enroll with a managed care plan. The State is assuming that 50% of the current non-enrolled population will enroll with NHP. It is our understanding that the State Medicaid program has the ability to direct enrollment to the participating plans in order to achieve this split.
2. A set of capitation rates was developed for the current non-enrolled population that will enroll with United Health Care (UHC). It is being assumed that 50% of this population will enroll with UHC.

I have examined the actuarial assumptions and actuarial methods used in determining the capitated payment rates as developed in the attached HealthCare Analytics report dated June 25, 2009. In my review of the capitation rate development, I have relied upon an analysis of Medicaid Fee For Service claims data, Medicaid eligibility data, program and other documentation, and trend research provided by HealthCare Analytics to the State. All data was provided to the State Medicaid Agency. I performed no verification as to the accuracy of these data. In other respects, my determination included such review of the actuarial calculations as I considered necessary in the circumstances.

In my opinion, the capitation rates developed in the report dated June 25, 2009:

- i. Are computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- ii. Are based on actuarial assumptions which reflect historical program experience,
- iii. Are in compliance with the regulations found at 42 CFR 438.

Actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board.

6/29/09

Vincent G. Sherwin, FSA, MAAA
Consulting Actuary

Date

901 Warrenville Road • Suite 480 • Lisle, Illinois 60532

Phone: 630.505.0830 • Data/Fax: 630.241.1445

www.donlon-associates.com